

DFAS-CO-JXTB

MEMORANDUM FOR ASSOCIATE DIRECTORS AND DIVISION CHIEFS,
CONTRACT ENTITLEMENT DIRECTORATE

SUBJECT: Interim Guidance - Commercial Contracts (SF1449) and
Commercial Item Financing

The Federal Acquisition Streamlining Act of 1994 (FASA) includes new provisions for the acquisition of commercial items as well as new provisions for the financing of commercial item purchases.

Attached is the interim guidance regarding Commercial Contracts and Commercial Item Financing (Attachment 1). Please ensure that this guidance is disseminated to all appropriate Contract Entitlement Directorate Personnel. This new guidance will eventually impact several desk procedures and may involve system changes to MOCAS in the long term. Because the Columbus Center has experienced such a small volume of contracts containing the new commercial provisions (as of the date of this guidance), these interim procedures should be followed until such time that the process is refined and all the applicable desk procedures are revised incorporating the final policy/guidance.

It should be noted that there are several outstanding issues regarding the new commercial contracting regulations that, until resolved, make it difficult to issue final policy and procedures. Of most significance is the issue of Government Acceptance. A description of the issue and the Columbus Center policy on commercial item acceptance is included in the attachment.

Also included for your information is the Defense Contract Management Command (DCMC) policy letter dated May 9, 1997, concerning commercial contracts and commercial item financing (Attachment 2).

If you have any questions regarding this interim guidance, please contact Paul Huey of the Contract Analysis Branch, on X3-8778.

Craig Allen
Chief, Contract Analysis Branch
Operations Support

Attachments
As Stated

cc: DCMC Liaison Office
Coopers & Lybrand

Attachment 1

COMMERCIAL ITEM CONTRACTS/COMMERCIAL ITEM FINANCING INTERIM GUIDANCE - MAY 19, 1997

BACKGROUND

The Federal Acquisition Streamlining Act of 1994 (FASA) includes new provisions for the acquisition of commercial items as well as new provisions for the financing of commercial item purchases.

FAR Part 12 has been completely revised to incorporate the new provisions for the acquisition of commercial items. The legislative change encourages the acquisition of commercial end items and components and attempts to streamline the acquisition process by utilizing commercial market practices. Final coverage of these changes to Part 12 is addressed in Federal Acquisition Circular (FAC) 90-32 September 18, 1995.

FAR Part 32 has been revised to differentiate between non-commercial and commercial item financing. FAR SubPart 32.2 is entirely new and incorporates the provisions for commercial item **financing**. This new subpart provides several alternative procedures for establishing contract financing terms for commercial items. These include Advance, Interim, or Installment type payments, or any authorized combination of these.

GENERAL REGULATORY PROVISIONS

(A) Commercial Contracting

FAR Part 12 governs the acquisition of supplies or services that meet the definition of commercial items at FAR 2.101. Commercial items in this instance refers to any supply or service item, other than real property, that is of a type customarily used for non-governmental purposes and that has been offered for sale, lease, or license to the general public.

Per FAR Part 12.204, contracts issued under the new commercial contract provisions **shall** be issued on a Standard Form 1449, Solicitation/Contract/Order for Commercial Items. The SF1449 is a new form designed specifically for the acquisition of commercial items. The form **may** also be used for documenting receipt, inspection, and acceptance of commercial items.

* NOTE - The SF1449 is currently being reviewed for possible revisions to incorporate additional data elements needed for administration and payment purposes. Updates to the standard form will be provided to all operating areas as they become available. Commercial contracts awarded on the SF1449 shall include the following FAR clauses:

52.212-4, Contract Terms and Conditions-Commercial Items

52.212-5, Contract Terms and Conditions Required to
Implement Statutes and Executive Orders.

The provisions and clauses established in FAR Part 12 and Part 52 are intended to address, to the maximum extent practicable, customary commercial market practices for a wide range of potential government acquisitions of commercial items. However, due to the broad range of commercial items and varying market practices, FAR Part 12.302 allows contracting officers to tailor **parts of** the clause at FAR 52.212-4, Contract Terms and Conditions- Commercial Items, to adapt to the market conditions/practices for each acquisition.

Paragraphs of the clause at FAR 52.212-4 that **may** be tailored are as follows:

- a) Inspection/**Acceptance**
- c) Changes
- e) Definitions
- f) Excusable Delays
- h) Patent Indemnity
- j) Risk of Loss
- k) Taxes
- l) Termination for the Government's Convenience
- m) Termination for Cause
- n) Title
- o) Warranty
- p) Limitation of Liability
- s) Order of Precedence

Paragraphs of the clause at FAR 52.212-4 that **may not** be tailored are as follows:

- b) Assignments
- d) Disputes
- g) Invoice
- I) Payment
- q) Other Compliances
- r) Compliance with Laws Unique to Government Contracts

***** NOTE *** COMMERCIAL ITEM ACCEPTANCE ISSUE**

The tailorability of the above clause, FAR 52.212-4, specifically the Inspection/Acceptance paragraph, can be very critical due to the current processes used in MOCAS today. The Columbus Center has received contracts where the PCO has taken an extreme interpretation of this tailorability and has written contracts which essentially does away with the requirement for any Government acceptance. The contracts were written where a certified employee of the contractor was to perform the inspection and acceptance on behalf of the Government. Furthermore, the contract contained no requirement for the contractor to forward any type of inspection and acceptance documentation to the Contract Administration Office (CAO) or to the DFAS payment office. Manual workaround procedures had to be coordinated with the Contract Administration Office (CAO) to ensure that the invoices were paid.

In today's environment, MOCAS requires some form of acceptance to be input so that the system can create an Accounts Payable record. Notwithstanding the requirements of the system,

the Government needs to have procedures in place to ensure that the items we are paying for have indeed been received and accepted by a government employee and meet the specifications of the contract. Thus, there appears to be a definite inconsistency in the interpretation of the new regulations concerning the extent of the tailorability of this clause. As a result, a FASA Commercial Items Drafting Team, sponsored by acquisition reform, is currently addressing these issues with the intention of clarifying the FAR language and developing instructions for the use of the SF1449 as a solicitation, RFQ, contract, shipping document, inspection and acceptance document, and an invoice. Additional information/guidance resulting from this team's review will be distributed as soon as it becomes available.

Until such time that this commercial item acceptance issue is resolved, DFAS-Columbus Center Contract Entitlement personnel should review all contracts for commercial items to **ensure that the contracts clearly identify points of acceptance by a Government official**. If not, the discrepancy should immediately be brought to the attention of the ACO and PCO via the issuance of a DD Form 1716, Contract Data Deficiency Report. Until the DD Form 1716 is resolved, the Inspection/Acceptance codes should be input as Destination/Destination. Additionally, **payment divisions shall require some type/form of acceptance on all invoices for commercial items**. If the items are set up in the contract as Source acceptance, then payment divisions shall require an acceptance be established in MOCAS by the CAO. If the items are set up as Destination acceptance, then payment divisions shall require a document, signed by an authorized government representative, to document the Destination acceptance in MOCAS. If the contractual document does not clearly identify points of acceptance by a Government official and a DD Form 1716 is issued, the Inspection/Acceptance points in MOCAS should be input as 'Destination/Destination' until the DD1716 is resolved by a formal modification. Generally, 'FAST PAY' procedures should not be utilized to pay invoices for commercial items. If however, a commercial contract meets all the requirements as specified by FAR 13.302, it could be subject to FAST PAY procedures. The contracting officer must include the clause at FAR 52.213-1, Fast Payment Procedure for those procedures to apply.

The document used for acceptance should not be of importance, as long as all the required data elements needed to establish the acceptance in MOCAS are included on the signed form. The regulations state that the SF1449 may be used as the acceptance documentation for commercial items. However, use of the SF1449 as the sole acceptable format for the shipping and acceptance document is not mandatory. Contractors that have automated systems in place to prepare shipping and acceptance documents centered around the DD Form 250 format may elect to continue utilizing these systems and forms. Regardless of the form, DFAS-CO personnel should ensure that the shipping/acceptance document used contains all information needed for establishing the acceptance in MOCAS. These elements include the following:

- 1) PIIN/SPIIN
- 2) Shipment Number
- 3) Date Shipped
- 4) Acceptance Point
- 5) Shipped To
- 6) Item Number
- 7) Quantity Shipped
- 8) NSN (only if specified in the contract)
- 9) Unit of Measure

- 10) MILSTRIP (only if specified in the contract)
- 11) Mark For (only if different from Ship To)
- 12) Inspection and Acceptance
- 13) Date of Acceptance

Although not all of the items listed above have separate fields/blocks on the SF1449, as stated in the DCMC policy letter (Attachment 2), the contractor should attach the applicable pages of the contract schedule in order to provide all the necessary acceptance data. In addition, the contractor should include the 'Date Shipped' along with the 'Shipment Number' in Block 33 of the SF1449.

Contract line items which are not included with an applicable shipment, but are contained on the attached schedule pages, shall be lined through (by the contractor) to indicate that they are excluded from the subject shipment.

Invoicing - Contractors may elect to utilize their standard commercial invoice or the SF1449 prepared as the shipping/acceptance document as an invoice (stamped "Original Invoice"). Should the contractor choose to continue using the DD250 as a shipping/acceptance document, this DD250 may also be used as an invoice for the commercial items. Contractor's invoices for the delivery/shipment of commercial items are not required to go through the Administrative Contracting Officer (ACO) for review and approval.

Invoices for commercial items (deliverables) are subject to Cash Management and are subject to Prompt Payment interest penalties if not paid within 30 days.

(B) Commercial Item Financing

FAR Part 32 has been revised to differentiate between non-commercial and commercial item financing. FAR Part 32.2 is entirely new and incorporates the provisions for commercial item **financing**.

Three new contract clauses have been developed to incorporate the various commercial item financing techniques; they are:

- 52.232-29, Terms for Financing of Purchases of Commercial Items
- 52.232-30, Installment Payments for Commercial Items
- 52.232-31, Invitation to Propose Financing Terms

Types of Financing - There are two basic types of commercial item financing authorized by FAR Part 32.2:

1) *Commercial Advance Payment* - Payment(s) made before **any** performance of work under the contract. The aggregate of these payments shall not exceed **15%** of the contract price. These payments are contract financing payments for Prompt Payment purposes (i.e. not subject to interest penalties and not subject to Cash Management). A commercial financing payment authorized and paid after work has started on the contract is not an advance payment and should be treated as a Commercial Interim Payment as described below.

2) *Commercial Interim Payment* - These are financing payments during the life of the contract that is not a Commercial Advance Payment or a delivery payment. These payments are contract financing payments for Prompt Payment purposes (i.e. not subject to interest penalties and not subject to Cash Management). There are two basic types of Commercial Interim Payments as follows:

a) *Installment* - Installment type financing payments are authorized by the inclusion of clause 52.232-30, Installment Payments for Commercial Items, in the contract. These payments are set up in the contract as a fixed number of equal interim financing payments prior to the delivery and acceptance of a contract line item. The contracting officer shall identify in the contract schedule those items (CLINs/SLINs) for which installment payment financing is authorized. Per FAR clause 52.232-30(b)(2), Installment financing payments shall not exceed 70% of the price of the CLIN(s) authorized for Installments.

b) *Other* - These are any other form of commercial financing payment that is paid after work has begun on the contract, but is not an installment type payment. Interim financing arrangements other than installment type can be authorized based on a wide variety of circumstances. This will depend on whatever is predominate in the commercial arena for that business/commodity and can range from the passage of time to the achievement or occurrence of defined events. Currently, FAR does not specify a limitation on the percentage of non-installment interim financing payments which can be paid.

If there is more than one appropriation account or subaccount (ACRN) funding payments under a contract, the contracting officer shall include, in the contract, instructions for distribution of financing payments to the respective fund accounts (ACRNs).

Security - The Government is required to obtain adequate security for all Government financing. FAR 32.207(c) designates the ACO as the responsible official for ensuring that the security identified in the contract for the commercial item financing continues to be adequate throughout the life of the contract. DFAS Columbus personnel have no role in the determination of the adequacy of this security.

Invoicing - Contractors requests for commercial financing payments shall be submitted no more frequently than monthly. All requested financing payments associated with a contract shall be combined into a single request, appropriately itemized and totaled. Each request for commercial item financing shall be submitted to the ACO for review and approval, on a contractor's commercial invoice in accordance with the DCMC policy letter (Attachment 2).

As required by FAR 52.232-29(e) and the DCMC policy letter (Attachment 2), each commercial item financing request should include the following information:

- (1) Name and address of contractor
- (2) Contract Number
- (3) Date of the request
- (4) Itemized and totaled statement of the financing payments requested and such other information as is necessary for computation of the payment amount
- (5) Sequential invoice number (i.e. request number 01, 02, etc.)

(6) Other information designated by the contract or ACO

Upon receipt of a proper commercial financing request, the ACO will:

- (1) Stamp the Date Received on the request;
- (2) Review, approve and sign the request with the date approved;
- (3) Annotate the invoice with payment instructions (ACRNs);
- (4) Affix a unique invoice identifier to the request. This number will be used by DFAS-CO as the "Shipment" number in MOCAS for identifying and tracking the invoice. The following standard "shipment" numbers have been established in agreement with DCMC to be utilized for identifying commercial financing requests:

CFAA xxx Commercial Financing **Advance** - US Funded

CFAB xxx Commercial Financing **Advance** - FMS Funded

CFIA xxx Commercial Financing **Interim** - US Funded

CFIB xxx Commercial Financing **Interim** - FMS Funded

Liquidation - Liquidation of commercial financing payments shall be made through deductions against delivery payments. Liquidation of these commercial financing payments shall be on the same basis as the computation of the financing payments; that is, financing payments computed on a whole contract basis shall be liquidated on a whole contract basis. Financing payments computed on a line item (CLIN) basis shall be liquidated against that line item (i.e. we shall only liquidate against a CLIN if the CLIN had previously paid financing payments and an unliquidated balance still exists). The liquidation rates and/or amounts **must be specified in the contract**. If liquidation methods are not identified in the contract, a DD Form 1716 deficiency report should be prepared and forwarded to the ACO.

IMPACT TO DFAS-CO-J PROCESSES

Due to the uniqueness of the new requirements for Commercial Item Financing, all requests for commercial **financing** payments must be entitled and paid manually until such time that system enhancements to MOCAS can be identified and implemented.

Invoices for delivered commercial items can be, and should be, processed exactly like a typical invoice for non-commercial items. These invoices should API.

CONTRACT INPUT

Contracts for Commercial Items can be identified by the SF1449 on which they are to be issued, or by the inclusion of the following FAR clauses:

52.212-4, Contract Terms and Conditions-Commercial Items

52.212-5, Contract Terms and Conditions Required to Implement Statutes and Executive Orders.

52.232-29, Terms for Financing of Purchases of Commercial Items

52.232-30, Installment Payments for Commercial Items

52.232-31, Invitation to Propose Financing Terms

Commercial contracts (SF1449s) shall be input in the same manner as those for non-commercial items (SF26, SF30, etc.), including CLINs, SLINs, delivery schedules, Inspection/Acceptance points, accounting lines, etc.

A Standard ACO Coded Remark of **R9-48** should be input in the 'ACO-CDD-RMK' field on the Remarks Data Record (screen CT1400) for all contracts for commercial items. This new code has been established to facilitate easy identification by the contract administration community.

The Inspection/Acceptance codes at the Provisions Data level and the line item level should be input for commercial items in the same manner as non-commercial items are today.

Particular attention should be made in reviewing the commercial contracts for the manner in which the Acceptance is stated. As discussed above under (A) Commercial Contracting, a FASA Commercial Items Drafting Team, sponsored by acquisition reform, is working to clarify the language in the FAR and to develop instructions on the use of the SF1449. Until such time that this clarification is received, DFAS-Columbus Contract Input technicians should review all contracts for commercial items to ensure that the contracts clearly identify points of acceptance by a Government official. If an acceptance point is not specified, the discrepancy should immediately be brought to the attention of the ACO via the issuance of a DD Form 1716. If the contractual document does not clearly identify points of acceptance by a Government official and a DD Form 1716 is issued, the Inspection/Acceptance points in MOCAS should be input as 'Destination/Destination' until the DD1716 is resolved by a formal modification.

***** NOTE ***** A copy of all DD Form 1716 reports issued for the lack of proper Inspection/Acceptance codes for commercial items should be forwarded to DFAS-CO-JXTB, Attn: Paul Huey.

As stated above, commercial contracts which include provisions for commercial item **financing** must be paid manually until system changes can be implemented. Commercial item financing can be based on either a whole contract basis or on a CLIN level. For contracts containing commercial item financing provisions, Contract Input technicians must enter one of the following two codes into the system to document specific payment instructions and to prevent any possibility of an API payment:

1) If the contract specifies commercial item financing at the **CLIN level**, the In-the-Clear 'SPCL-PAY-RQD' field should be utilized on the Supply Line Item Record and/or Service Line Item Record screens (CT1600 and CT1700 respectively) to document the financing authorized for each applicable CLIN/SLIN. Specific payment instructions, including authorized percentages or amounts, applicable to those CLINs/SLINs should also be documented here.

2) If the contract specifies commercial item financing on a **whole contract basis**, then the Contract Input technician can utilize either the 'RVU-CONTRS' field on the Provisions Data Record (by entering a "9" and a corresponding remark in the R5/6/7 Remarks fields) or, if the contract has a limited number of CLINs/SLINs, utilize the CLIN level In-the-Clear fields as described in #1 above. These remarks should be detailed enough to document payment and liquidation percentages or amounts and the CLINs/SLINs that are involved in the financing.

For commercial contracts authorizing financing payments, the Contract Input technicians must also input percentages in the progress payment 'Payment', 'Liquidation', and 'Ceiling' fields. This is required because the financing payments must be paid against the WIP line (trans code of 'W') until such time that the system is modified. In order to bypass the system validations and be able to pay against the WIP line, there must be something in these fields. The input technicians shall input the same percentage in each of these fields, calculated as follows:

Calculating 'PAYMENT', 'LIQUIDATION', and 'CEILING' Percentages:

- a) If the financing is Installment type, enter the specified rate or 70%, whichever is less.
- b) If the financing is based on a whole contract basis and the contract states a percentage limitation, enter this percentage.
- c) If the financing is calculated on a whole contract basis and the contract does not state a percentage limitation, the percent should be calculated by dividing the amount of authorized financing payments by the total obligated amount of the contract.
- d) If the financing is authorized on a CLIN/SLIN level and the contract states percentage limitations, enter the highest limitation percentage of all the CLINs/SLINs.
- e) If the financing is authorized on a CLIN/SLIN level and the contract does not state any percentage limitations, calculate the authorized percentage for each CLIN/SLIN by dividing the total amount of authorized financing payments for the CLIN by the total amount obligated for the CLIN. Enter the highest percentage calculated for any of the CLINs/SLINs.

Any rounding of the percentage calculations that is required to input the percentages into MOCAS should be done by rounding UP.

INVOICE CONTROL

Invoices for commercial items (deliverables) will usually be received on a contractor's commercial invoice. However, they may, at the contractor's option, submit invoices on any form acceptable to the contracting officer, which may be the SF1449 or a DD Form 250 stamped as 'Original Invoice'. All invoices for commercial items should be input in the same manner as those for non-commercial items. The only exception is invoices for commercial item **financing** as described below.

Invoices for commercial item **financing** are required to be routed through the ACO for review and approval. The ACO shall review, approve, assign payment instructions, sign and date the invoices. Additionally, in accordance with the DCMC policy letter (Attachment 2), the ACO is required to assign a unique invoice identifier ("shipment" number) as follows:

- CFAA** xxx - Commercial Financing **Advance** payment - **US** Funded
- CFAB** xxx - Commercial Financing **Advance** payment - **FMS** Funded
- CFIA** xxx - Commercial Financing **Interim** payment - **US** Funded

CFIB xxx - Commercial Financing Interim payment - FMS Funded

Invoice Control technicians should perform cursory reviews of all commercial **financing** requests to ensure that the ACO has provided payment instructions (if the contract is funded by multiple ACRNs) and signed and dated the request. If any of this information is missing, the invoice should be input to the system, subsequently removed via an E Code, and returned to the ACO with an explanation of the reason. In the case of a missing unique invoice identifier (“shipment” number), the ACO should be contacted prior to the input of the invoice to coordinate the creation of an agreed to number.

All commercial item **financing** requests should be input utilizing the unique invoice identifier (“shipment” number) assigned by the ACO.

The date received by the ACO, which should be stamped on the invoice, should be input as the ‘Invoice Received Date’ for commercial **financing** requests.

All invoices for commercial items (deliverables) and for commercial item financing should be input to the Invoice Data Entry Screen (UNAA21) with an ‘ID’ Type “1” for “Commercial”.

ENTITLEMENT

(A) Invoices for Commercial Items (Deliverables)

Invoices for commercial items (deliverables) shall be entitled in a manner similar to those for non-commercial items, regardless of the form of request (i.e. commercial invoice, SF1449, DD250 etc). They are subject to Prompt Payment Act interest penalties if not paid within 30 days, and are subject to Cash Management.

Invoices for commercial items shall be paid from the “Material” ULO of the ACRNs applicable to the CLINs/SLINs being billed for.

As discussed previously, and until this interim guidance is superseded, DFAS-CO shall require a Government acceptance for all commercial items prior to payment.

*** Note - Invoices for commercial items should **not** be paid via ‘Fast Pay’ in order to bypass the requirement for an acceptance.

If, upon entitling an invoice for commercial items, it is found that the contract does not clearly identify that acceptance be performed by a Government official, immediately notify the Contract Input section and request that a DD Form 1716 be prepared and forwarded to the ACO noting the absence of acceptance points.

Forward a copy of any such DD1716s to DFAS-CO-JXTB, Attn: Paul Huey.

(B) Commercial Item Financing Requests

Invoices for commercial item **financing**, must be paid manually until system changes can be implemented.

Voucher Examiners (VEs) should be alert to terminology on all invoices (i.e. those that may reference “commercial item financing”, etc) in order to ensure that all commercial financing requests are properly identified and input with an ACO assigned invoice/shipment number (i.e. CFAAxxx, CFABxxx, etc).

Commercial item financing requests shall be paid against the ACRNs specified on the invoice by the ACO and shall be paid as a ‘Type Payment’ 3 and a ‘SubTrans’ code of “W” (because these are financing payments and will be tracked as progress payments until system changes can be made to establish new codes for commercial item financing.)

*** Note - Although there is no limitation specified in the FAR as to what amount can be paid out in commercial Interim financing (with the exception of Installment types which are limited to 70% of contract or line item price), VEs should contact and question the ACO before paying a commercial item financing request up to 100% of the contract or CLIN/SLIN price.

Commercial item **financing** requests are not subject to Cash Management and should be paid within 14 days (but are not subject to Prompt Payment interest penalties if not paid within 14 days because they are contract financing payments). However, because MOCAS has not yet been modified to recognize the standard shipment numbers set up for these financing payments (CFAAxxx, CFABxxx, CFIAxxx, and CFIBxxx) they will suspend in Cash Management if less than 23 days old. Therefore, **all commercial item financing will have to be early released on the day following the cycle in which they suspended.** The language in the FAR regarding the payment period for paying a commercial item financing request is vague and unclear. Therefore, the goal for paying commercial item **financing** requests has initially been established as **14 days** until such time that a legal opinion on the matter can be obtained.

If it is discovered that there is insufficient ULO in MOCAS for which to pay the commercial financing request (i.e. it exceeds the allowable percentage or authorized dollar amount at either the contract or CLIN level), the supervisor or lead of the Entitlement section should place a call to the ACO to verify the payment instructions and authorized dollar amounts on the billing. If no errors are discovered through the telephone call with the ACO the invoice should be recoded by the VE to ‘J-Audit’ and forwarded to reconciliation. If the telecon reveals that there is an error in the current billing, the invoice should be “E’d” out and returned to the ACO.

Commercial item financing payments are recovered by recouping against delivery billings. The liquidation must be consistent with the way the financing was paid out. If the financing was paid out on a whole contract basis, then recoupment would be taken on every deliverable invoice at the percentage specified in the contract. If the financing was paid out on a line item basis, then VEs shall only recoup against deliverable invoices for CLINs/SLINs which had previously been authorized and paid financing payments.

If the commercial item financing is authorized at the CLIN/SLIN level, it will be necessary at times to use a ‘Force-Thru’ to by-pass the liquidation validations in the system (which requires recoupment, if any is outstanding) when entitling and paying invoices for CLINs/SLINs which are not authorized financing in the contract.

LINE ITEM RESEARCH (LISSR)

LISSR will be involved with invoices for commercial items (deliverables) in exactly the same manner in which they are today for non-commercial invoices, i.e. obtaining acceptances, etc.

As discussed previously, and until this interim guidance is superseded, DFAS-CO shall require a Government acceptance for all commercial items prior to payment. If the acceptance is set up as Source, then Contract Entitlement personnel shall require that the acceptance be established in MOCAS by the CAO prior to paying the invoice. If the acceptance is set as Destination, DFAS-CO shall require an acceptance document, signed by an authorized Government representative in order to establish the acceptance in MOCAS. Again, as stated previously, this acceptance can be in the form of the SF1449, a DD250, or some other signed form containing all the required data elements for establishing the acceptance in the system. These data elements are listed above under the 'Commercial Item Acceptance Issue' of the General Regulatory Provisions section.

The DCMC recommended form is to utilize the SF1449 and attach the applicable page(s) from the contract CLIN/SLIN schedules to provide all the necessary acceptance data (while lining out those items that may be on the SF1449 or schedules but are not included in the subject shipment).

LISSR may get involved with commercial item **financing** billings if the invoices are erroneously coded as "A" or "B". Because these are financing payments, no acceptance is required in MOCAS, only an ACO signature for approval. In this case the invoice should be recoded to "G" and forwarded to the Entitlement section.

RECONCILIATION

Reconciliation sections will only be impacted by commercial invoices and commercial financing requests that are recoded to "J-Audit" due to insufficient ULO or financing requests which exceed limitations specified in the contract(s).

Other Groups Affected:

Accounting Activities - The current plan of manually paying commercial item financing using the existing WIP lines does not require coordination with the accounting activities (except for the normal prevalidation requirements). If it is decided in the long term to develop and utilize a separate SubTrans Code, Invoice Type Code, Type Payment, etc. to pay commercial item financing, these changes would then need to be coordinated with all affected external stakeholders.

Accounts Receivable - Any funds returned by contractors for overpayment of commercial item financing should be credited back to the WIP lines of the applicable ACRNs.